

VA | #VETERANOFTHEDAY



MANAGEMENT'S DISCUSSION AND ANALYSIS

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Marine Corps Veteran John Thurman

Pictured in the previous page: A collage of John Thurman on the right today and a group photo of Thurman with the 5th Marine Corps Division, 27th Regiment with American flag raised.

When John “Jack” Thurman first learned about his great-uncle’s military service in the Marine Corps, he knew that he, too, would serve. Thurman enlisted in the Marine Corps in September 1943. After completing basic training at Fort Snelling, Minnesota, Thurman was sent to Camp Pendleton, California. He joined Carlson’s Raiders, a group of specialized Marine commandos who had trained under Lt. Col. Evans Carlson for combat in the Pacific. In February 1945, he deployed to Iwo Jima with the 5th Marine Corps Division, 27th Regiment. They landed at Red Beach 1 on the southeast coast of the island on February 19. His regiment fought southward, hoping to take the strategic position atop Mount Suribachi. Four days later, the 27th and 28th Regiments reached the summit of the mountain and, after securing the area, the Marines raised an American flag on a long piece of pipe.

Thurman, who was working as a sniper to protect the men as they raised it, remembered the moment well: “To see that flag go up, I tell you, that was an inspiration,” he said in a 2012 article for the Longmont Times-Call. “It got up there and the flag unfurled there in the breeze, the ocean breeze. It was the most beautiful thing I’d ever seen. It gave us the inspiration that we were gonna take that island one way or another.” Later, Thurman appeared in a group photo of the men with the flag taken by photographer Joe Rosenthal. He was originally hesitant. “I said, ‘Well I’m 27th Regiment.’ And [his comrade] said, ‘That makes no difference. You’re still one of us.’ Well, that sounded pretty good to me,” Thurman said, “So I went up.” In the photo, Thurman is standing on the far left raising his helmet, behind Corporal Ira Hayes.

After Iwo Jima was secured, Thurman returned to the United States (U.S.) to recuperate. He later was part of the occupation force on Japan’s mainland and served as a military police officer when the war ended. He honorably discharged as a sergeant in May 1946. For his service, he received numerous medals, including a Purple Heart and a Bronze Star.

In his later years, Thurman did not discuss his wartime experiences. When his daughter Karen joined the Navy Nurse Corps and learned about survivor’s guilt in her nurse practitioner classes, she encouraged her father to try talking about the war. Since then, he has been active as a public speaker and frequently attends Veterans events and commemoration ceremonies. In 2012, he returned to Iwo Jima with a group of students from Ohio State University as part of a trip sponsored by the Greatest Generations Foundation, a nonprofit that pays for Veterans to return to their former battlefields. Thurman has also attended numerous Honor Flights and is part of the Iwo Jima Association of America. In 2019, Larimer County, Colorado, declared July 27 John “Jack” Thurman Day in his honor.

“I just had a strong feeling, ‘I’m here, and I’m going to do the job,’” he said in a 2020 interview with the Loveland Reporter-Herald. “I’m sure most of the guys felt that way. We’re here, and we’re going to take this island. It took us a month to do it, and it was supposed to take us three days. But we did it.”

MISSION

President Lincoln's immortal words, delivered in his second inaugural address more than 155 years ago, best describe VA's mission: *"To care for him who shall have borne the battle and for his widow, and his orphan."* We care for Veterans, their families and survivors – men and women who have responded when their Nation needed help. VA's mission is clear-cut, direct and historically significant. It is a mission that every employee is proud to fulfill.



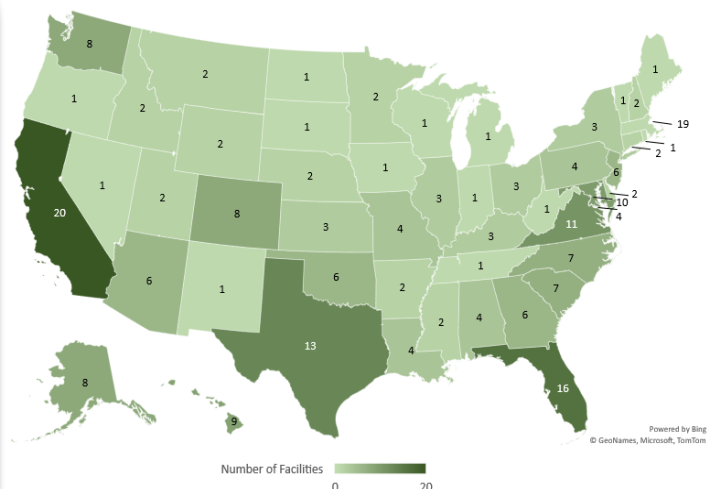
VA carries out four specific missions to make good on that commitment: Veterans benefits, health care, national cemeteries and our fourth mission. VA's fourth mission, supported by all the Administrations, is to improve the Nation's [preparedness](#) for response to war, terrorism, national emergencies and natural disasters by developing plans and taking actions to ensure continued service to Veterans, as well as to support national, state and local emergency management, public health, safety and homeland security efforts.

ORGANIZATION

VA is comprised of three Administrations responsible for delivering services to Veterans, Veterans Benefits Administration (VBA), Veterans Health Administration (VHA) and the National Cemetery Administration (NCA) and Staff Offices that support the Department.

VBA provides various benefits to Veterans and their families. These benefits include military-to-civilian transition assistance services, disability compensation, pension, fiduciary services, educational opportunities, Veteran readiness, and employment (VR&E) services, home loan guarantee and life insurance. VBA has 216 facilities in the United States, Guam, Puerto Rico and the Philippines.

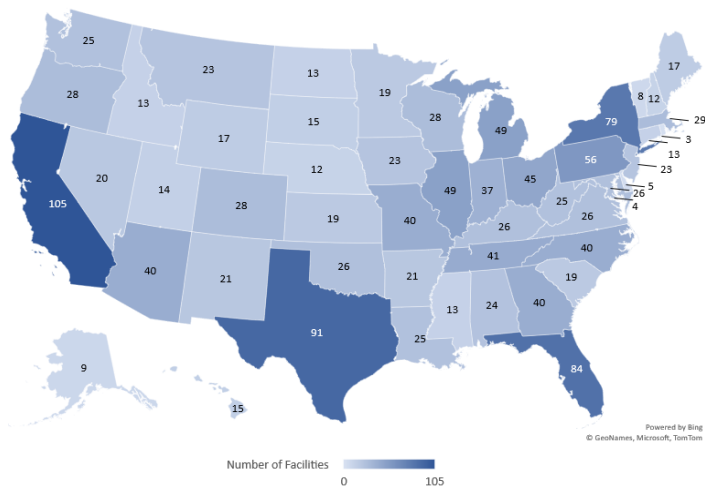
Social Media Links: [f](#) [t](#) [i](#) [v](#) [p](#)



The U.S. heat map above shows the number of VBA facilities in each U.S. state. Additional VBA facilities can be found in Guam, Puerto Rico and the Philippines.

MANAGEMENT'S DISCUSSION AND ANALYSIS

MISSION AND ORGANIZATION



The U.S. heat map above shows the number of VHA facilities in each U.S. state. Additional VHA facilities can be found in Puerto Rico, Virgin Islands, American Samoa Islands, the Philippines and Mariana Islands.

VHA provides a broad range of primary care, specialized care and related medical and social support services that are uniquely related to Veterans' health or special needs.

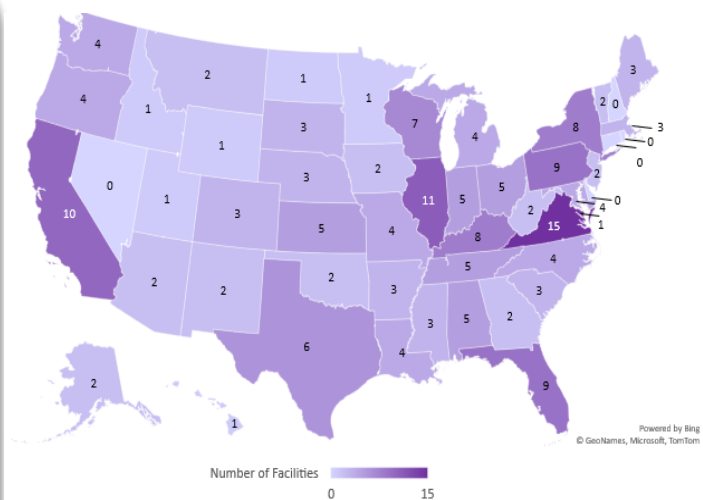
VHA also advances medical research and development in ways that support Veterans' needs by pursuing medical research in areas that most directly address the diseases and conditions that affect Veterans. VHA has 1,507 health care facilities including VA Medical centers and outpatient sites.

Social Media Links:



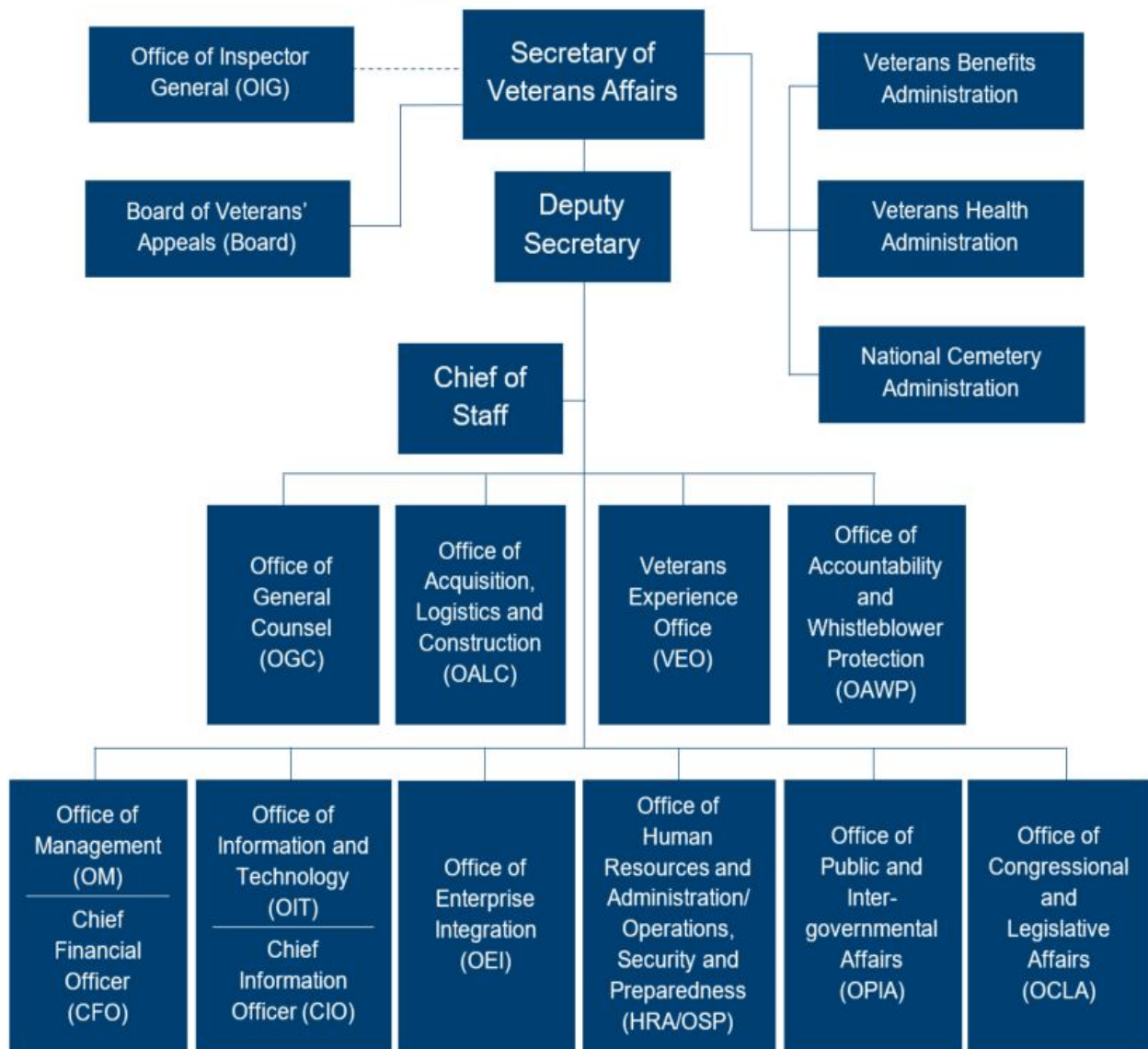
NCA provides burial and memorial benefits to Veterans and their eligible family members. These benefits include burial at national cemeteries, cemetery grants for state and tribal cemeteries, headstones and markers, Presidential Memorial Certificates, outer burial receptacles and medallions. VA runs 155 national cemeteries and 34 soldiers' lots and monument sites in the United States and Puerto Rico.

Social Media Links:



The U.S. heat map above shows the number of NCA facilities in each U.S. state and the District of Columbia. Two additional NCA facilities can be found in Puerto Rico.

DEPARTMENT OF VETERANS AFFAIRS ORGANIZATIONAL STRUCTURE



PERFORMANCE GOALS, OBJECTIVES AND RESULTS

The Government Performance and Results Act Modernization Act (GPRAMA) requires CFO Act agencies to develop long-term strategic plans that detail the agency's goals, strategies and objectives. VA updates the Strategic Plan every four years, approximately one year after a new Presidential term begins to accurately reflect the priorities of the new administration.

On March 30, 2022, VA published a new Strategic Plan covering FY 2022 – FY 2028.

VA tracks performance metrics against the goals, strategies and objectives and presents results in the [APP&R](#), which shows how VA measures and monitors its activities against the long-range plan. This AFR will cover a high-level summary of VA's performance results for the fiscal years under both Strategic Plans, as follows:

- **FY 2021:** VA presents final performance results in the three following sections: the Agency Priority Goal (APG) summaries, Strategic Goal results summaries and performance highlights. These results align with the FY 2018 – FY 2024 Strategic Plan, published under Secretary Wilkie.
- **FY 2022:** VA presents preliminary Quarter 3 or Quarter 4 performance results with latest available data in the two following sections: the APG summaries and performance highlights. VA will publish final results in the FY 2022 APP&R in February 2023. These results align with the FY 2022 – FY 2028 Strategic Plan, published under Secretary McDonough.

On the following page, VA presents the strategic goals and objectives from the FY 2018 – FY 2024 and FY 2022 – FY 2028 Strategic Plans. The icons in the *VA Strategic Goals & Objectives* graphic are used throughout this section to map the strategic goals toward achieving the APGs.



DID YOU KNOW?

VA's five "I CARE" core values underscore the obligations inherent to VA's mission and define who we are, our culture and how we care for Veterans and beneficiaries. The first letter of each core value described below creates a powerful acronym that reminds VA employees of the importance of their role at VA.

Integrity: Act with high moral principle. Adhere to the highest professional standards. Maintain the trust and confidence of all with whom I engage.

Commitment: Work diligently to serve Veterans and beneficiaries. Be driven by an earnest belief in VA's mission. Fulfill my individual and organizational responsibilities.

Advocacy: Be truly Veteran-centric by identifying, fully considering and appropriately advancing the interests of Veterans and beneficiaries.

Respect: Treat all those I serve with dignity and respect.

Excellence: Strive for the highest quality and continuous improvement. Be thoughtful and decisive in leadership and accountable for my actions.



Felisha Cooper, an advanced medical support assistant, exhibited I CARE values when she directed a search party for a Veteran having a medical emergency. To read the full story, visit [VA News](#).

MANAGEMENT'S DISCUSSION AND ANALYSIS

PERFORMANCE GOALS, OBJECTIVES AND RESULTS

 VA STRATEGIC GOALS & OBJECTIVES MISSION STATEMENT: To fulfill President Lincoln's promise, "To care for him who shall have borne the battle and for his widow, and his orphan".	
FY 2018 - FY 2024 STRATEGIC PLAN	FY 2022 - FY 2028 STRATEGIC PLAN
 Goal 1: Veterans choose VA for easy access, greater choices, and clear information to make informed decisions. Objective 1.1: VA understands Veterans' needs throughout their lives to enhance their choices and improve customer experiences. Objective 1.2: VA ensures Veterans are informed of, understand, and can get the benefits, care, and services they earned, in a timely manner.	 Goal 1: VA consistently communicates with its customers and partners to assess and maximize performance, evaluate needs and build long-term relationships and trust. Objective 1.1: (Consistent and Easy to Understand Information) VA and partners use multiple channels and methods to ensure information about benefits, care and services is clear and easy to understand and access. Objective 1.2: (Lifelong Relationships and Trust) VA listens to Veterans, their families, caregivers, survivors, Service members, employees and other stakeholders to project future trends, anticipate needs and deliver effective and agile solutions that improve their outcomes, access and experiences.
 Goal 2: Veterans receive highly reliable and integrated care and support and excellent customer service that emphasizes their well-being and independence throughout their life journey. Objective 2.1: VA has collaborative, high-performing, and integrated delivery networks that enhance Veteran well-being and independence. Objective 2.2: VA ensures at-risk and underserved Veterans receive what they need to end Veteran suicide, homelessness, and poverty.	 Goal 2: VA delivers timely, accessible, high-quality benefits, care and services to meet the unique needs of Veterans and all eligible beneficiaries. Objective 2.1: (Underserved, Marginalized and At-Risk Veterans) VA emphasizes the delivery of benefits, care and services to underserved, marginalized and at-risk Veterans to prevent suicide and homelessness, improve their economic security, health, resiliency and quality of life and achieve equity. Objective 2.2: (Tailored Delivery of Benefits, Care and Services Ensure Equity and Access) VA and partners will tailor the delivery of benefits and customize whole health care and services for the recipient at each phase of their life journey. Objective 2.3: (Inclusion, Diversity, Equity, Accessibility) VA will enhance understanding of Veteran needs and eliminate disparities and barriers to health, improve service delivery and opportunities to enhance Veterans' outcomes, experiences and quality of life. Objective 2.4: (Innovative Care) VA will improve understanding of Veteran specific illnesses and injuries to develop and adopt innovative new treatments that prevent future illness and enhance Veteran outcomes. Objective 2.5: (Value and Sustainability) VA, with community partners, will deliver integrated care and services, balancing resources to ensure sustainability while continuing to deliver value and improve health and well-being outcomes of Veterans.
 Goal 3: Veterans trust VA to be consistently accountable and transparent. Objective 3.1: VA is always transparent to enhance Veterans' choices, to maintain trust, and to be openly accountable for its actions. Objective 3.2: VA holds personnel and external service providers accountable for delivering excellent customer service and experiences while eliminating fraud, waste and abuse.	 Goal 3: VA builds and maintains trust with stakeholders through proven stewardship, transparency and accountability. Objective 3.1: (VA is Transparent and Trusted) VA will be the trusted agent for service and advocacy for our Nation's heroes, caregivers, families, survivors and Service members to improve their quality of life and ensure end of life dignity. Objective 3.2: (Internal and External Accountability) VA will continue to promote and improve organizational and individual accountability and ensure a just culture.
 Goal 4: VA will transform business operations by modernizing systems and focusing resources more efficiently to be competitive and to provide world-class customer service to Veterans and its employees. Objective 4.1: (Agility) VA's infrastructure improvements, improved decision-making protocols, and streamlined services enable VA to adapt to changing business environments and Veteran needs. Objective 4.2: (Human Capital Management Modernization & Transformation) VA will modernize its human capital management capabilities to empower and enable a diverse, fully staffed, and highly skilled workforce that consistently delivers world class services to Veterans and their families. Objective 4.3: (VA IT/Cybersecurity) VA IT modernization will deliver effective solutions that enable VA to provide improved customer service and a secure, seamless experience within available resources in a cost-effective manner. Objective 4.4: (Data Driven Decision Making) VA will institutionalize data supported and performance focused decision making that improves the quality of outcomes.	 Goal 4: VA ensures governance, systems, data and management best practices improve experiences, satisfaction, accountability and security. Objective 4.1: (Our Employees Are Our Greatest Asset) VA will transform its human capital management capabilities to empower a collaborative culture that promotes information sharing, diversity, equity and inclusion and a competent, high-performing workforce to best serve Veterans and their families. Objective 4.2: (Data is a Strategic Asset) VA will securely manage data as a strategic asset to improve VA's understanding of customers and partners, drive evidence-based decision-making and deliver more effective and efficient solutions. Objective 4.3: (Easy Access and Secure Systems) VA will deliver integrated, interoperable, secure and state-of-the-art systems to ensure convenient and secure access and improve the delivery of benefits, care and services. Objective 4.4: (Evidence Based Decisions) VA will improve governance, management practices and make evidence-based decisions to ensure quality outcomes and experiences and efficient use of resources.

AGENCY PRIORITY GOALS (APG)

The GPRAMA requires VA to select four to five APGs every two years and review performance on a quarterly basis to evaluate progress and update implementation strategies. VA's APGs are reported below and mapped by icons to the strategic goals and objectives that support them:

- FY 2021 – as detailed in the FY 2021 APP&R; and
- FY 2022 – as detailed in the FY 2022 – FY 2028 Strategic Plan.

FY 2021 APGS

DECISION REVIEW AND APPEALS



VA will provide claimants who disagree with VA's decisions on benefits claims and services with timely appeals decisions reviewed under the streamlined process authorized by the Veterans Appeals Improvement and Modernization Act of 2017 (AMA). In FY 2021, VBA completed Higher-Level Reviews in an average of 87 days, 30% below the targeted 125 days. The Board continued resolution of legacy appeals while simultaneously working AMA appeals, increased the number of Veterans' Law Judges (VLJs) and continued virtual operations that resulted in significant measurable results for Veterans and their families. The Board conducted a record of 23,777 Veteran-requested hearings and dispatched 99,721 decisions to Veterans in FY 2021.

SUICIDE PREVENTION



Through clinical and community strategies, VHA will proactively identify and provide interventions for at-risk Veterans, for those using VHA care and those using other care systems, to prevent suicide and overdose death. VA will increase the implementation of Safety Planning in Emergency Departments, increase the use of predictive modeling to reach high-risk Veterans and develop statewide plans to end Veteran suicide with our partners. VA's latest data shows a 5.3% decrease in the Veteran suicide mortality rate from 2019 to 2020, which equates to 343 fewer deaths.

CONNECTED CARE/TELEHEALTH



VA will improve Veterans' access to quality health care using digital care delivery methods. VA will focus efforts on ambulatory care providers delivering video telehealth, expand the use of VA's text messaging app, expand the use of secure messaging and increase triage support from clinical contact centers. In FY 2021, more than 2.3 million unique Veterans participated in over 11 million telehealth visits, representing a 43% increase in telehealth utilization by Veterans since FY 2020.

VETERAN EXPERIENCE WITH VA.GOV



VA will measure and improve Veteran experience with VA.gov using the drivers identified for measuring customer experience within the Federal Government. In FY 2021, the user satisfaction score remained steady at 64%, 6% higher than the score at the time of the VA.gov relaunch in FY 2019.

FY 2022 APGS

CAREGIVER SUPPORT PROGRAM



VA is currently undertaking a broad programmatic review of the Program of Comprehensive Assistance for Family Caregivers (PCAFC) to ensure it achieves intended outcomes. While this review is underway, VA's Caregiver Support Program will continue to enhance and expand services to caregivers, including increasing access for those not currently served by PCAFC, expanding access to the Program of General Caregiver Support Services and improving the service experience of both Veterans and their caregivers. During FY 2022, key milestones were met on time with hiring and caregiver surveys.

SUICIDE PREVENTION



VA is meaningfully contributing to government and community-based efforts to target an overall 10% reduction in Veteran suicide rate from 2019 to 2024, with decreases in the long term of 3% annually by 2028, through enhancement of programs and training focused on community interventions. To help achieve this, VA will concentrate on non-VA providers who often lack training on specific suicide reduction tools for Veterans. During FY 2022, VA developed a strategic communications outreach campaign and training for community care network providers and distributed over 266,000-gun locks.

EXPANDING CONNECTED CARE



VA will leverage telehealth and digital technologies to enhance the accessibility, capacity, quality, choice and experience of VA health care for Veterans, families and caregivers anywhere in the United States, including its territories and possessions. By September 30, 2023, VA will develop new telehealth surveys to assess Veterans' experience, increase the use of TeleUrgent Care and TeleSpecialty Care services and increase the use of patient generated health data. Preliminary data as of Quarter 3 of FY 2022 shows a 16.7% increase in cumulative TeleSpecialty and TeleUrgent Care encounters compared to FY 2021.

DIVERSITY, EQUITY, INCLUSION, ACCESSIBILITY



VA will measure, report and improve the trust of underserved Veterans, such as women, Veterans of color and lesbian, gay, bisexual, transgender, queer and other identities (LGBTQ+) Veterans. By September 30, 2023, Veterans' experience scores related to underserved populations will increase by 3% over a FY 2022 baseline, with an aspirational goal of 90%.

RURAL HEALTH WORKFORCE

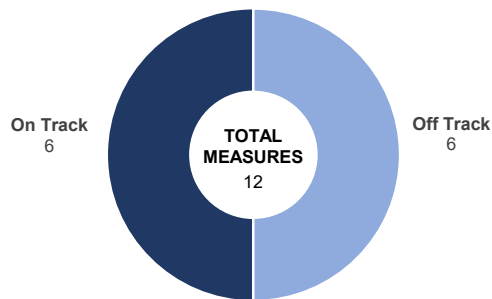


VA will improve rural health care workforce staffing levels which impacts care to rural Veterans including American Indian and Alaska Native Veterans. By September 30, 2023, VA will ensure 90% of rural dwelling Veterans are satisfied with their access to health care when and where they need it. Preliminary data as of Quarter 3 of FY 2022 indicates that VA is on track to achieve a 5% increase in rural area medical providers.

STRATEGIC GOAL RESULTS SUMMARY

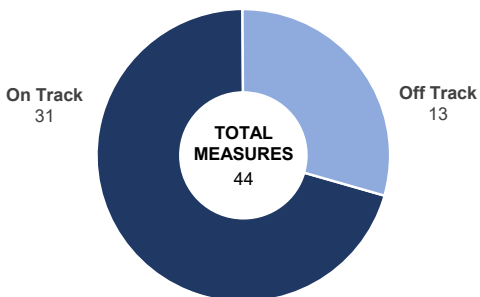
The results presented in this section are derived from performance data in the FY 2021 APP&R and are aligned with the strategic goals in the FY 2018 – FY 2024 Strategic Plan. For each measure in the APP&R, VA sets a target that helps drive continuous improvement. On track measures are those where the target has been met or exceeded. Off track measures represent areas for improvement.

STRATEGIC GOAL 1: *Veterans choose VA for easy access, greater choices and clear information to make informed decisions.*



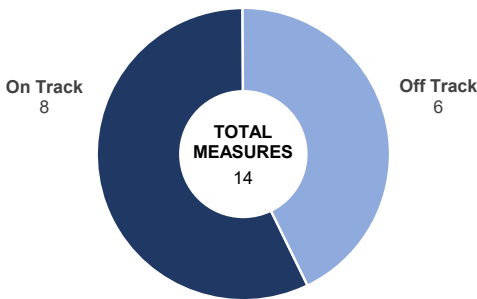
The percentage of on-track measures for Goal 1 remained steady at 50% compared to FY 2020. In FY 2021, VA began tracking the percentage of pension rating claims processed within 125 days with a target of 80%. VA collaborated with its Pension Management Centers throughout the year to optimize workload management and ensure this measure remained on track resulting in 88.5% of all cases being processed within the 125-day target. This improvement supports VA's goal of delivering timely benefits to Veterans and their survivors.

STRATEGIC GOAL 2: *Veterans receive highly reliable and integrated care and support and excellent customer service that emphasizes their well-being and independence throughout their life journey.*



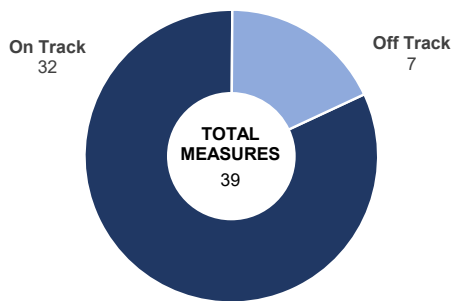
The percentage of on-track measures for Goal 2 increased by 9% compared to FY 2020. VA's performance in community care metrics helped drive this increase. In FY 2021, VA processed 97% of community care claims timely, well above the 90% target. The community care claims backlog was eliminated and provider claims are now processed and paid well within expectations. These improvements help VA restore community provider trust. Additionally, VA exceeded its target score at 80% for overall satisfaction with community care, an increase of over 2% compared to prior year.

STRATEGIC GOAL 3: *Veterans trust VA to be consistently accountable and transparent.*



The percentage of on-track measures for Goal 3 decreased slightly over prior year partially due to a decrease in the national high-level review accuracy rate for disability compensation ratings. In FY 2021, VBA fell less than one percent short of the 96% target, achieving 95.3% accuracy. For FY 2022, VBA adjusted the accuracy target from 96% to 94% after significant analysis. To meet FY 2022 targets, VBA provided Decision Review Operations Centers additional training to conduct local quality reviews to promote national quality reviews.

STRATEGIC GOAL 4: *VA will transform business operations by modernizing systems and focusing resources more efficiently to be competitive and to provide world-class customer service to Veterans and employees.*



The percentage of on-track measures for Goal 4 increased by 10% compared to FY 2020. The improvement was primarily driven by several new metrics related to VA's infrastructure and streamlined services aimed to improve preparedness and resiliency. One such measure is the number of Veteran-specific site page visits to [Disaster Assistance](#), a website hosted by the Department of Homeland Security. The Veteran-specific site page serves as an assistance tool for Veterans affected by

disasters and an education platform to inform Veterans of benefits they may be eligible to receive before, during and after a disaster. Additionally, in FY 2021, VA exceeded its target for the percent of major leasing projects accepted in the quarter estimated for completion, a previously off-track measure. This measure ensures that VA is driving infrastructure projects timely and managing appropriated funds effectively.



DID YOU KNOW?

VA has "facility dogs" who work alongside care teams in some VA medical centers. Facility dogs differ from service dogs in that they aren't assigned to one person. They have a handler who helps them work with Recreation Therapists and other employees interacting with Veterans. Val and Raisin (pictured) are facility dogs at the Oklahoma City VA Health Care System.



PERFORMANCE AND FINANCIAL CONNECTION

VA's financial statements reflect the resources required or used to accomplish the Department's goals and objectives. This section links the Department's activities to achieve those goals with budgetary resources from the Statement of Budgetary Resources (SBR) and costs from Statement of Net Cost (SNC). To mirror the components of the SNC, performance at each administration (VHA, VBA and NCA), plus the indirect administrative offices, is discussed.

VETERANS HEALTH ADMINISTRATION

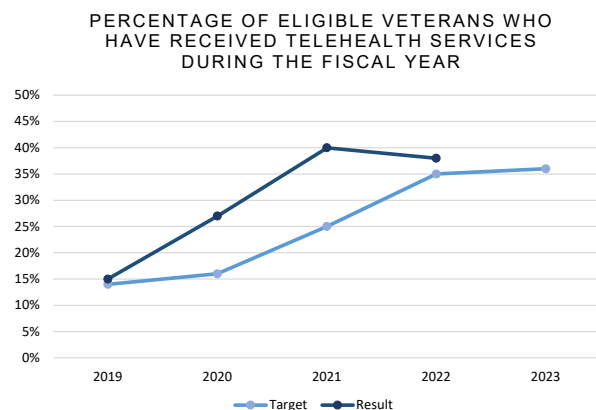
PERFORMANCE HIGHLIGHT



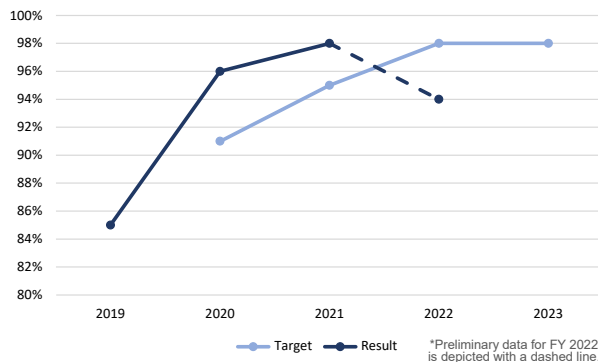
Total VHA budgetary resources were \$145.3 billion and \$145.6 billion and total gross costs were \$117.8 billion and \$108.0 billion for the fiscal years ended September 30, 2022 and 2021, respectively, for activities related to providing a broad range of primary care, specialized care and related medical and social support services. Activities performed by VHA help VA to achieve objectives for all Strategic Goals under the FY 2022 – FY 2028 Strategic Plan.

Two areas of focus for VHA under the Medical Services fund in alignment with the Department's APGs are 1) the expansion of telehealth services and 2) suicide prevention through mental health services. For FY 2022, VHA received \$598 million in budgetary resources, an increase of \$287 million over FY 2021, to enhance suicide prevention outreach activities. VHA received \$2.6 billion, an increase of \$1.3 billion, for the Telehealth/Connected Care Services Program. In FY 2022 and FY 2021, costs related to telehealth and mental health services amounted to \$5.6 billion and \$5.2 billion, respectively, which aided in the accomplishments below.

VA tracks the percentage of eligible Veterans who have received telehealth services during the fiscal year. Due in part to the Department's ability to leverage telehealth during the Coronavirus Disease 2019 (COVID-19) pandemic, VA exceeded its FY 2020 target. To promote continuous progress, VA increased the target for FY 2021 to 25%, which the Department exceeded by 15%. For FY 2022 and FY 2023, the target was increased to 35% and 36%, respectively, to continue building on the success of the programs. In FY 2022, VA again achieved its target with a result over 38%.



USE OF INTERVENTIONS FOR VETERANS AT-RISK FOR SUICIDE THROUGH THE USE OF PREDICTIVE MODELING & ENHANCED ENGAGEMENT STRATEGIES



VA tracks interventions for Veterans at-risk for suicide using predictive modeling and enhanced engagement strategies, such as the Recovery Engagement and Coordination for Health – Veterans Enhanced Treatment (REACHVET) and the Stratification Tool for Opioid Risk Mitigation (STORM). In FY 2021, VA exceeded the target of 95% with a year-end result of 98%. These predictive analytics and targeted prevention programs have helped to focus attention to Veterans at elevated risk to ensure that they stay engaged in care and receive interventions designed to minimize risk of adverse outcomes. VA and

the Department of Defense (DoD) collaborated to develop VA and DoD versions of REACHVET 2.0 and STORM predictive models, using matched risk predictors calibrated to their respective patient populations. Preliminary data as of Quarter 3 of FY 2022 shows the use of interventions through REACHVET and STORM was 94%. VA is on track to achieve its target by year-end.

DID YOU KNOW?
 The **REACH VET** Program is the Nation's first clinical use of a validated algorithm to help identify suicide risk.

PERFORMANCE IN ACTION



Marine Corps and Army Veterans were featured in the PSA.

September is Suicide Prevention Month. This year, VA used the observation to raise awareness of Veteran suicide prevention and to highlight resources designed specifically for Veterans, family members and friends. In a new Public Service Announcement (PSA), the Ad Council, VA and Veteran filmmakers partnered to encourage women Veterans to reach out for help when needed and remind them how to find the right VA resources.

Directed by Army Veteran Rebecca Murga, the PSA features an Army and a Marine Corps Veteran. Their conversation is one that women would realistically have in a gym, but the fact that they are both real Veterans adds a great deal of authenticity to the conversation that many women Veterans have.

"We tailor our care for women Veterans, so it was natural to create a film dedicated to them," said Dr. Matthew Miller, Air Force Veteran and VA's National Director of Suicide Prevention. "And authenticity is at a premium. We wanted to be true to women, and we believe a Veteran film team was key to delivering this."

The PSA directs audiences to [REACH](#), a website that makes it easier for Veterans to find guidance and support services from across the full breadth of VA's offerings. To watch the PSA, visit the Ad Council's YouTube page here: [Women Veterans | Veteran's Crisis Prevention – YouTube](#).

VETERANS BENEFITS ADMINISTRATION

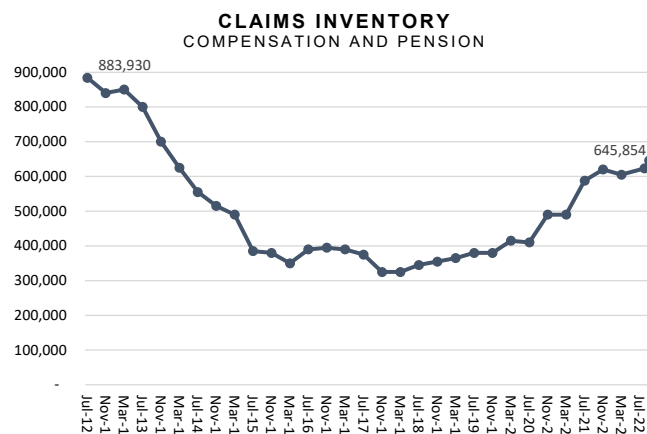
PERFORMANCE HIGHLIGHT



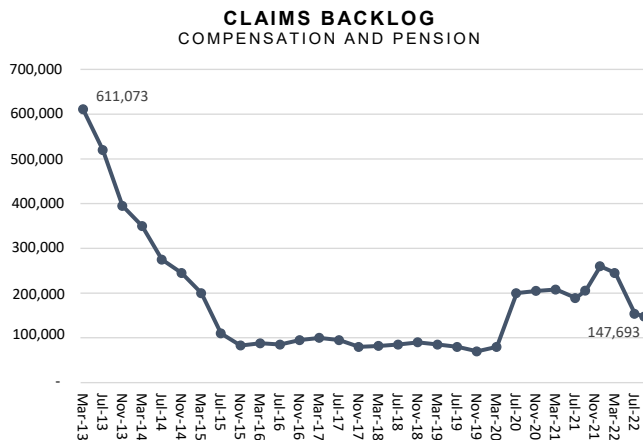
Total VBA budgetary resources were \$197.5 billion and \$168.1 billion and total gross costs were \$143.3 billion and \$132.0 billion for the fiscal years ended September 30, 2022 and 2021, respectively, for activities related to providing various benefits to Veterans and their families. Activities performed by VBA help VA to achieve objectives for Strategic Goals 1, 2 and 3.

One of VBA's primary functions is to process education, pension, compensation, survivor and community care claims and appeals with a focus on timeliness and quality. During FY 2021, Congress appropriated \$272 million under the American Rescue Plan (ARP) Act to reduce the claims backlog to approximately 100,000 by mid-FY 2024. In addition to the ARP funds, Congress authorized an additional \$150 million to accelerate record-scanning. For FY 2023, VA requested \$37 million, in part to hire 319 additional full-time employees (FTE) to support disability compensation claims processing. In FY 2022 and FY 2021, costs related to these Veterans benefit claim activities were \$2.3 billion and \$3.1 billion, respectively.

The following charts show fluctuations in the claims inventory since FY 2012 and the claims backlog since FY 2013. The claims inventory includes disability compensation and pension claims received by VA that normally require a rating decision. Commonly known as the rating bundle, this includes claims for disability compensation, dependency and indemnity compensation for survivors and Veterans' pension benefits, including both original and supplemental claims. Once VA decides a claim, it's no longer in the claims inventory. If a Veteran appeals a benefits decision, the appealed claim is tracked separately. When claims in the inventory exceed 125 days, they are considered "backlogged".



The charts presented demonstrate that the claims inventory and backlog decreased significantly from Quarter 2 of FY 2013 through Quarter 1 of FY 2015 and remained steady until Quarter 3 of FY 2020, when the COVID-19 pandemic halted medical examinations and caused inflated processing times. VA has prioritized resolving the enlarged inventory as the Department returns to more stable operating conditions.



The backlog also increased as a result of benefits changes for Veterans enacted by law. The Blue Water Navy Act of 2019 expanded the definition of qualifying service for Agent Orange exposure, allowing more Veterans to potentially receive compensation benefits for Agent Orange-related disabilities. Additionally, the William M. Thornberry National Defense Authorization Act for FY 2021, Public Law (P.L.) 116-283, added three conditions to the list of those presumptively associated with exposure to Agent Orange. In FY

2022, the backlog decreased by over 57,000 claims primarily due to hiring and training 2,000 new claims processors during the year and allowing overtime for claims processing.

In December 2021, VA began a pilot program under the newly-created Office of Automated Benefit Delivery. The program aims to accelerate claims processing through automation and data sharing using rules-based computer algorithms. For certain types of claims, the automation program reduces the process from 100 days under the traditional review to a range of 5 to 45 days, dependent on whether additional evidence gathering (for example, medical exams) is required. Looking forward, the program is considering conditions related to toxic exposure in anticipation of new claims related to the PACT Act.

"Automation is the way that we'll break through this backlog and get Vets their earned benefits as quickly as possible"

Secretary Denis McDonough

PERFORMANCE IN ACTION



William Nyman, a recipient of the Purple Heart, was a Korean War Veteran.

On December 1, 1950, North Korean troops attacked William Nyman's encampment near the Chosin Reservoir. As he heard the enemy's advance, Nyman threw off his sleeping bag. He grabbed his gun, rushing outside to protect his fellow Marines. North Korean troops had Nyman pinned down for several hours, but he refused to surrender. He was finally carried to an aid station after being knocked unconscious by a grenade. Nyman didn't share his story for decades.

When Anthony Irby, Nyman's VBA representative, accessed his records earlier this year, he was stunned to learn of Nyman's heroism in Korea. He was in disbelief that Nyman had never been formally honored for his actions. Irby had been assisting Nyman to receive his earned benefits through VA's homeless programs, but knew he had to do more. He nominated Nyman for a Purple Heart to ensure the Veteran would receive the recognition he deserved.

Nyman was honored with the Purple Heart before his death on June 24, 2022.

NATIONAL CEMETERY ADMINISTRATION

PERFORMANCE HIGHLIGHT

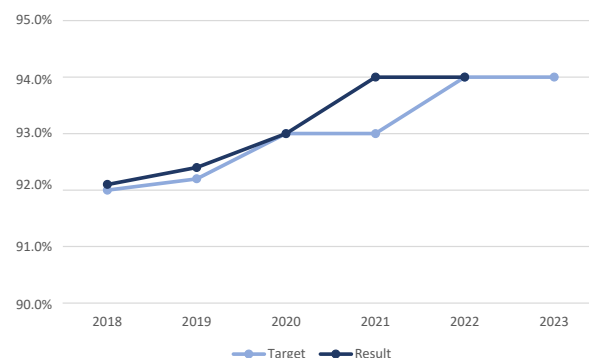


Total NCA budgetary resources were \$479 million and \$437 million and total gross costs were \$508 million and \$474 million for the fiscal years ended September 30, 2022 and 2021, respectively, for activities related to Veteran burial and interment services, construction projects and operations at VA's 155 national cemeteries and 34 soldiers' lots and monument sites. Activities performed by NCA help VA to achieve objectives for Strategic Goals 1 and 2.

One of NCA's most significant performance metrics is the percentage of Veterans served by a burial option within a reasonable distance. This metric helps NCA identify areas of the country that are not appropriately served and plan potential construction projects or expansions for the future. In FY 2021, VA received \$94 million in major construction budgetary resources and \$80 million in minor construction budgetary resources for cemetery expansion and improvement projects, advance planning and design funds and land acquisition. In FY 2022, VA received \$131 million in major construction budgetary resources and \$107 million in minor construction budgetary resources for the same purposes, an increase of \$37 million primarily to fund two gravesite expansion projects at Indiantown Gap and Fort Logan National Cemeteries.

NCA has continuously improved performance in this metric year over year. In FY 2022, NCA met its target with 94% of all Veterans having access to a burial option within a reasonable distance. The combined results of establishing planned new national cemeteries and working with our state partners in establishing new grant-funded Veterans' cemeteries through the NCA Veterans Cemetery Grants Program has resulted in a significant increase in the percent of Veterans served with burial access. During FY 2022, NCA opened the Crown Hill (Urban Initiative) National Cemetery in Indianapolis, Indiana and two VA-grant funded state Veterans' cemeteries in Oklahoma and Alaska.

VETERANS SERVED BY A BURIAL OPTION
WITHIN A REASONABLE DISTANCE



PERFORMANCE IN ACTION



The Chosin Few Monument.

Many were just teenagers when they arrived in Korea. Prior to landing, they could not find it on a map. They soon found themselves freezing and surrounded at the Chosin Reservoir. Fought during the worst blizzard of the century, the Battle of Chosin is a symbol of the Marine Corps' dogged determination, fighting skill and never-say-die attitude.

The Dallas-Fort Worth National Cemetery in Texas now has a monument dedicated to the survivors of the horrific battle – the “Chosin Few.” The dedication included a fly-over and posting of the colors by Marine Air Group 41. The Chosin Few Monument honors those who fought to death and those who somehow survived to tell the story.

INDIRECT ADMINISTRATION

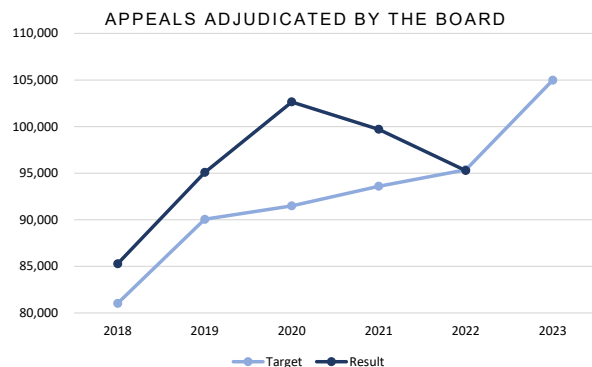
PERFORMANCE HIGHLIGHT



Total Indirect Administrative budgetary resources were \$6.3 billion and \$4.7 billion and total gross costs were \$3.0 billion and \$2.6 billion for the fiscal years ended September 30, 2022 and 2021, respectively, for activities to support Department operations not directly attributable to VHA, VBA or NCA, including the Supply Fund, Franchise Fund, human resources, OIG investigations and Board programs. Indirect administrative activities help VA to achieve objectives for Strategic Goals 2, 3 and 4.

One of the most critical functions under Indirect Administration relates to the Veterans' appeals process managed by the Board, which decides appeals from VHA, VBA, NCA and OGC. In FY 2021, VA received \$207 million to support the Board's mission-critical goals of conducting hearings and adjudicating appeals for Veterans properly in a timely manner. In FY 2022, VA received \$233 million, an increase of \$26 million primarily to position the Board to hire additional VLJs, attorneys and administrative staff. At the conclusion of FY 2022 and FY 2021, costs related to the Board's activities were \$220 million and \$202 million, respectively.

VA tracks the number of appeals adjudicated, which directly relates to the Board's mission of issuing decisions on behalf of the Secretary. The Board has exceeded 95,000 appeals adjudicated during each of the past four years. In FY 2022, the Board held a record 30,089 hearings while also issuing 95,294 decisions to Veterans and their families. This historic level of hearings will contribute to a higher target for decisions adjudicated during FY 2023.



The Board is also prioritizing the resolution of legacy appeals, those submitted prior to the AMA implementation. Since 2017, the Board has contributed to reducing legacy appeals in the Department from a high of 472,066 to 92,361 as of September 30, 2022. In FY 2022, 71,765 legacy appeals were decided by the Board, reducing its number of pending legacy appeals to 62,711, of which 7,150 have a request pending for a hearing with a Veterans Law Judge.

PERFORMANCE IN ACTION



Mike McNamara, co-host of *The SITREP*.

Mike McNamara, an Army Veteran and VA New England's Chief of Outreach, and Paul Corbett, a Marine Corp Veteran and VA New England marketing specialist, co-produce and host an online program called *The SITREP*. The program is intended to serve as a "situation report," a term Veterans likely recall from when they served in the military as a status report on current activity. "This is information for Veterans to improve their knowledge about anything Veteran-related and about our VA," said Corbett. In one episode released this year, McNamara explained a Veteran's three options for filing an appeal and the steps he took to win his own appeal. View the episode here: [VA | The SITREP - YouTube](#).

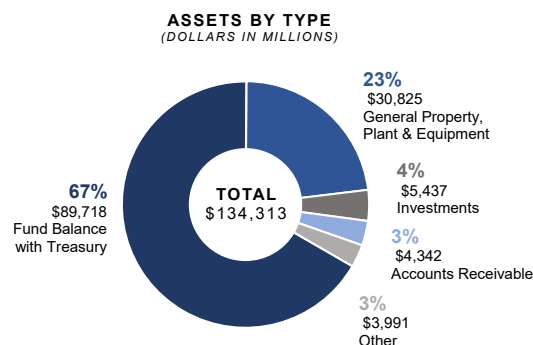
ANALYSIS OF THE FINANCIAL STATEMENTS

BALANCE SHEET

The Balance Sheet provides a snapshot of the Department's financial position and comprises assets, liabilities and net position. The table below shows VA's key asset and liability components and the total change for each component over the prior fiscal year.

Balance Sheet Key Components					
<i>(dollars in millions)</i>	2022	2021	\$ Change	% Change	
Assets					
Fund Balance with Treasury	\$ 89,718	\$ 90,687	\$ (969)	-1%	
General Property, Plant, & Equipment	30,825	29,449	1,376	5%	
Accounts Receivable	4,342	4,050	292	7%	
Investments	5,437	5,376	61	1%	
Other	3,991	3,655	336	9%	
Total Assets	\$ 134,313	\$ 133,217	\$ 1,096	1%	
Liabilities					
Federal Employee and Veterans' Benefits (FEVB)	\$ 6,149,077	\$ 4,469,540	\$ 1,679,537	38%	
Non-FEVB Liabilities					
Accounts Payable	5,196	14,105	(8,909)	-63%	
Loan Guarantee Liability, Net	9,932	10,870	(938)	-9%	
Other	7,491	6,601	890	13%	
Total Non-FEVB Liabilities	22,619	31,576	(8,957)	-28%	
Total Liabilities	6,171,696	4,501,116	1,670,580	37%	
Total Net Position	(6,037,383)	(4,367,899)	(1,669,484)	-38%	
Total Liabilities and Net Position	\$ 134,313	\$ 133,217	\$ 1,096	1%	

ASSETS



Assets represent items owned by the Department that have probable economic benefits. The graphic at left depicts the composition of VA's total asset balance. As of September 30, 2022, the largest asset was fund balance with Treasury (FBWT) at \$89.7 billion. FBWT represents VA's right to draw funds from the Treasury for allowable expenditures. The FBWT balance did not change significantly from FY 2021.

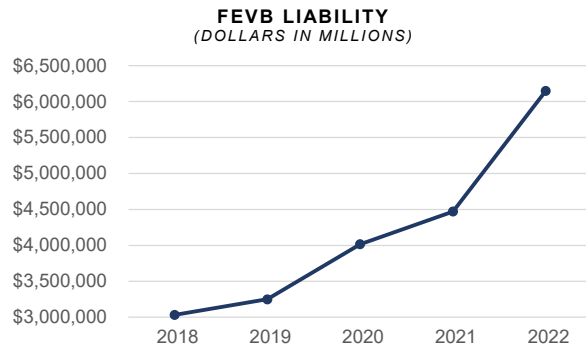
The second largest asset was property, plant and equipment (PP&E) at \$30.8 billion, which is primarily composed of buildings, structures, equipment and internal use software (IUS). The PP&E balance did not change significantly from FY 2021.

The other category includes loans receivable, advances and prepayments, cash and inventory totaling \$4.0 billion, an increase of \$336 million or 9%. Increases in loans receivable drove the increase in this category. Loans receivable increased to the COVID-19 Veterans Assistance Partial Claim Payment Program (VAPCP) which became effective on July 27, 2021 and will be

available through October 28, 2022. Under the VAPCP, VA purchases Veteran indebtedness to bring their loan current, which creates a new loan. For more information, refer to [Note 7](#).

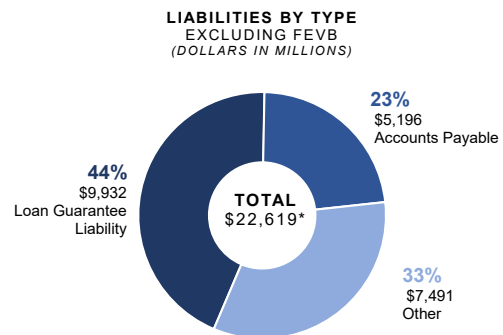
LIABILITIES

Liabilities represent probable future outflows or other sacrifices of resources as a result of past transactions or events. As of September 30, 2022, the largest liability was Federal employee and Veterans' benefits (FEVB) at \$6.1 trillion or 99% of total liabilities, an increase of \$1.7 trillion or 38% over prior year. Compensation benefits compose more than 99% of this liability and represent amounts owed to Service members (or their dependents) who died or were disabled due to active military service-related causes. The liability is an estimate of the future cost to provide benefits to participants, expressed in today's dollars. The graphic at right presents the year-to-year increase in the FEVB liability from FY 2018 – FY 2022. Actuarial cost and the loss on actuarial assumptions drive these increases. Refer to page 24 for discussion of increases in actuarial cost and losses.



VA also provides eligible Veterans and/or their dependents with pension benefits if the Veteran died, is over age 65 or is totally disabled, based on annual eligibility reviews. The Pension Program is not accounted for as a "Federal employee pension plan" under Statement of Federal Financial Accounting Standards (SFFAS) No. 5; therefore, a future liability for pension benefits is not recorded due to differences between its eligibility conditions and those of Federal employee pensions. The present value of the projected amount of future payments for pension benefits (presented for informational purposes only) as of September 30, 2022 and 2021, is \$142.4 billion and \$130.1 billion, respectively.

The composition of the remaining liability balance is illustrated in the graphic at right. The Department's second largest liability is the loan guarantee liability at \$9.9 billion. The liability decreased by \$938 million or 9% primarily due to the periodic re-estimate of subsidy expense. For additional information refer to [Note 7](#) in the Financial Section.



*Total Liabilities with FEVB is \$6,171,696

Accounts payable was \$5.2 billion, a decrease of \$8.9 billion or 63%. Accounts payable decreased due to the timing of compensation and pension payments compared to prior year.

The other category includes debt, environmental and disposal liabilities and other liabilities totaling \$7.5 billion. Other liabilities increased by \$890 million or 13% primarily due to a change in the subsidy rate for the Veterans Housing Benefit Program. The subsidy rate decreased resulting in an increase to the liability.

CHANGES IN NET POSITION

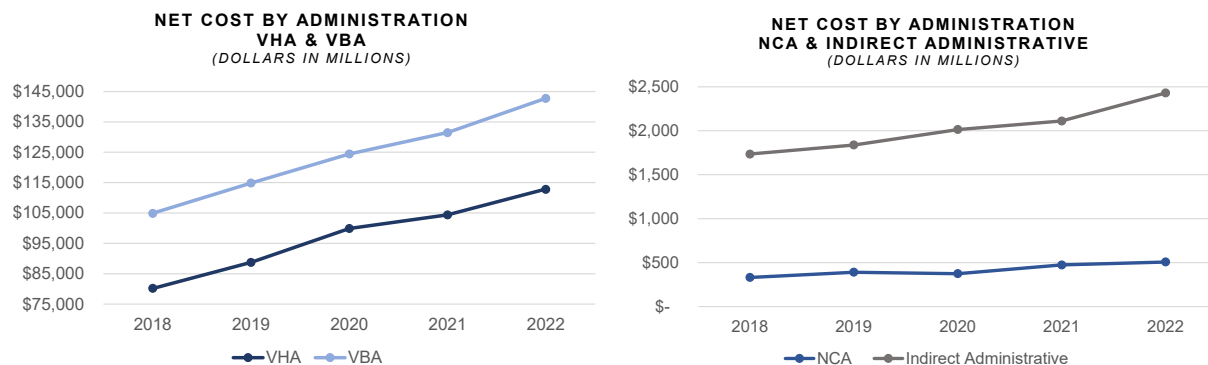
The Statement of Changes in Net Position (SCNP) combines the net cost of operations with nonexchange sources of financing to arrive at a net position. Net position decreased by 38% from a deficit of \$4.4 trillion in FY 2021 to a deficit of \$6.0 trillion in FY 2022. The decrease is attributable to the increase in net cost of operations, discussed in the next section.

NET COST OF OPERATIONS

Net cost of operations is the cost incurred less any exchange revenue earned. The SNC is designed to show net cost separately for each of VA's Administrations: VHA, VBA and NCA. Indirect administrative program costs support Department operations not directly attributable to VHA, VBA or NCA and include the Supply Fund, Franchise Fund, general administration and the Board of Veterans' Appeals programs. In FY 2022, total net cost of operations for the Department was \$1.9 trillion, an increase of \$1.2 trillion or 179%, driven by an increase of \$1.2 trillion in the loss from changes in Veterans benefits actuarial assumptions, discussed in the next section.

PROGRAM NET COST

The graphics below present program net cost by Administration, excluding actuarial, from FY 2018 – FY 2022. VHA and VBA have experienced significant increases in net cost over the past five years, while indirect administrative net cost has increased steadily with a significant increase in the last fiscal year. NCA net costs have remained relatively consistent.



VHA's net cost was \$112.8 billion, an increase of \$8.4 billion or 8% primarily due to an increase in community care payments and other payments related to the implementation of the Electronic Health Record Modernization initiative and the reduction of the claims and appeals backlog that was achieved as a result of ARP Act funding.

VBA's net cost (excluding actuarial) was \$142.8 billion, an increase of \$11.3 billion or 9% primarily due to increases in compensation payments to Veterans and their beneficiaries.

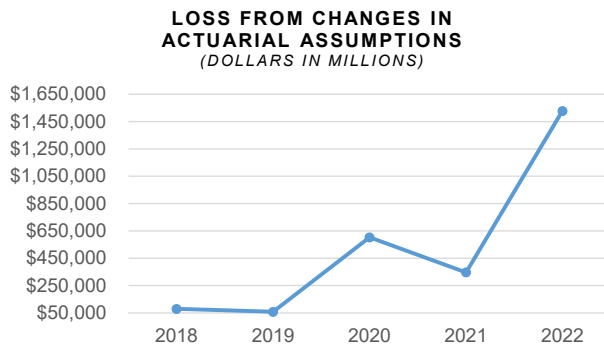
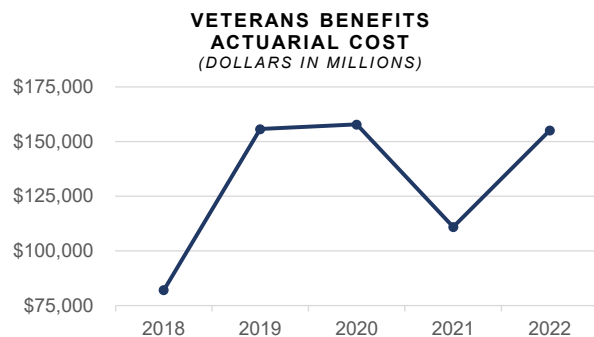
Indirect administrative net cost was \$2.4 billion, an increase of \$319 million or 15% primarily due to increases in Franchise Fund costs related to the new VA Center for Enterprise Human Resources Information Services (CEHRIS), which was implemented in FY 2022. CEHRIS provides a suite of services supporting core human resources business processes.

ACTUARIAL COST & (GAIN)/LOSS

VA provides compensation, burial, education and VR&E benefits to eligible Veterans and beneficiaries. The liability for future benefit payments is calculated using an actuarial model (see [Note 13](#) in the Financial Section and *VA's Compensation Liability: Understanding a Complex Balance* on page 29). On a periodic basis, the liability is adjusted for changes in assumptions, which results in the recognition of actuarial cost and/or a (gain)/loss. The actuarial cost and (gain)/loss are composed of the elements below.

Actuarial Cost	(Gain) / Loss
<ul style="list-style-type: none"> • Interest on Liability Expense • Changes in Experience (e.g., Veteran counts) • Prior Service Cost • Less: Amounts Paid 	<ul style="list-style-type: none"> • Discount Rate • Cost of Living Adjustments (COLA) • Other Assumptions

The Veterans benefits actuarial cost was \$155.1 billion, an increase of \$44.1 billion or 40% compared to FY 2021 due to a significantly larger increase in the number of Veterans and survivors receiving benefits between FY 2021 and FY 2022. Other factors include changes in the level of disability, changes in the average benefit amounts and the passage of time.



In FY 2022, loss from changes in actuarial assumptions was \$1.5 trillion, an increase of \$1.2 trillion or 341%, when compared to FY 2021. The increase was due to updates in actuarial assumptions of Veterans compensation plan participation and benefit level distribution rates, mortality rates and methodology for setting future long-term COLA. The increase in plan participation and benefit level distribution rates is the result of

legislation and VA policy changes that expanded eligibility. The mortality rates decreased, which indicate Veterans are living longer with their disabilities. Lastly, the projected COLA rate was updated to the long-term rate of inflation used by the Social Security Administration (SSA).

BUDGETARY RESOURCES

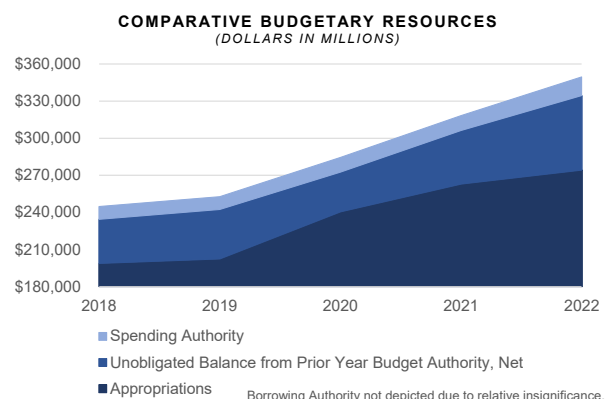
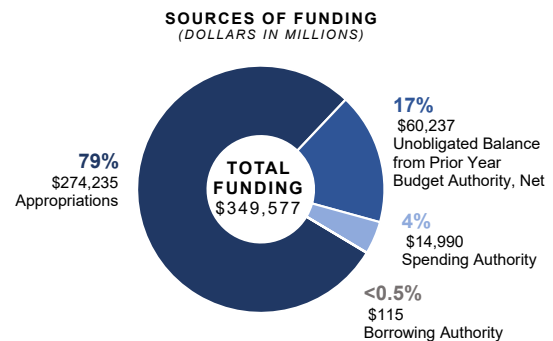
The SBR provides information on the sources and status of funding available to the Department. The primary sources of VA funding are appropriations from Congress and the unobligated balance from prior year budget authority. VA expends a substantial amount of its budgetary resources on medical service and care, compensation, pension, burial, education and VR&E benefits for Veterans, their beneficiaries and dependents.

The graphic at right depicts the composition of VA's sources of funding from the SBR.

Appropriations are VA's largest source of funding at \$274.2 billion.

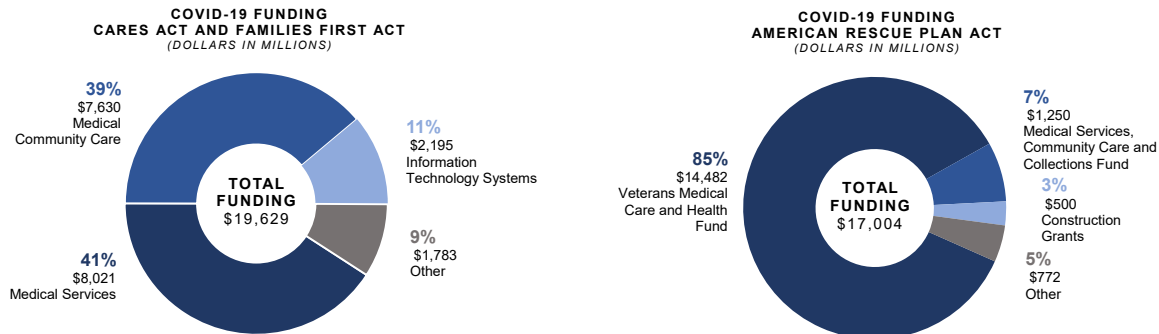
The stacked area graph to the right presents the composition of budgetary resources comparatively from FY 2018 – FY 2022 and illustrates that the increase in budgetary resources has been driven primarily by appropriations. Additionally, the rise in budgetary resources resulted in an increase in new obligations and upward adjustments totaling \$24.2 billion or 9%. The continuous increases in appropriations and associated increases in new obligations and upward adjustments are primarily due to:

- The establishment and expansion of community care programs for health care provided to Veterans at non-VA medical facilities;
- Medical services provided at VA medical facilities resulting from an increase in the number of services provided to Veterans;
- Higher compensation costs resulting from increases in the number of Veterans and beneficiaries accessing and receiving these benefits;
- Major construction projects, including improvements and additions to existing medical facilities and construction of new facilities; and
- Emergency response to COVID-19 through the CARES, Families First Coronavirus Response (Families First) and ARP Acts.

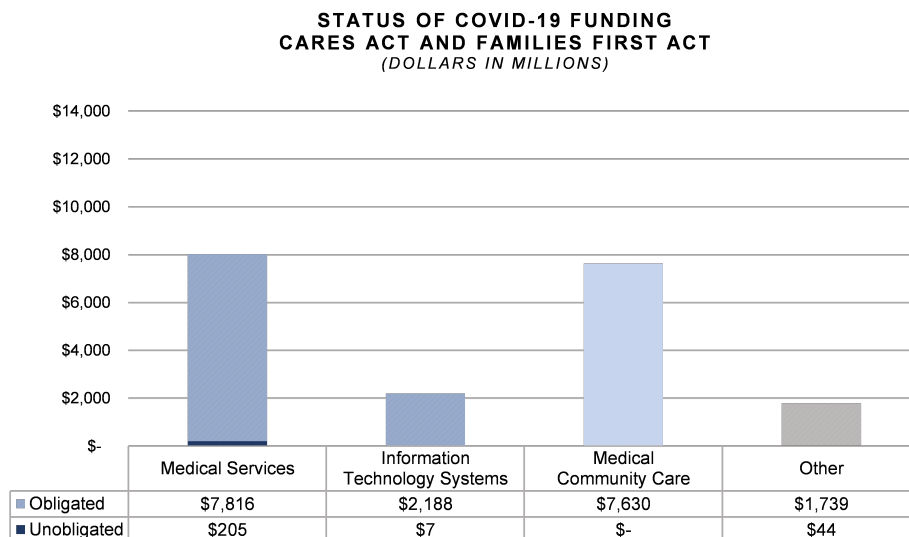


IMPACT OF COVID-19

In response to the COVID-19 pandemic, the Department received \$19.6 billion in supplemental emergency funding from the CARES and the Families First Acts in FY 2020 and an additional \$17.1 billion from the ARP Act in FY 2021. The Consolidated Appropriations Act, 2022 rescinded \$76 million of the ARP Act funds. As depicted in the graphics below, the funding was primarily allocated to the Medical Services Program, which received \$8 billion or 41% of the CARES and Families First Act funding, after reallocation, and \$14.5 billion or 85% of the ARP Act funding.



As of September 30, 2022, 99% of the total CARES and Families First Act funding had been obligated. As depicted in the graphic below, \$7.8 billion or 97% had been obligated from the Medical Services Program to cover inpatient COVID-19 pandemic care, surge activities and national purchases of personal protective equipment (PPE) and other equipment. Nearly 100% of the available funding had been obligated for Information Technology Systems. Medical Community Care had been entirely obligated. \$1.7 billion or 98% had been obligated for programs in the other category. \$256 million remained unobligated for CARES Act and Families First Act funding.

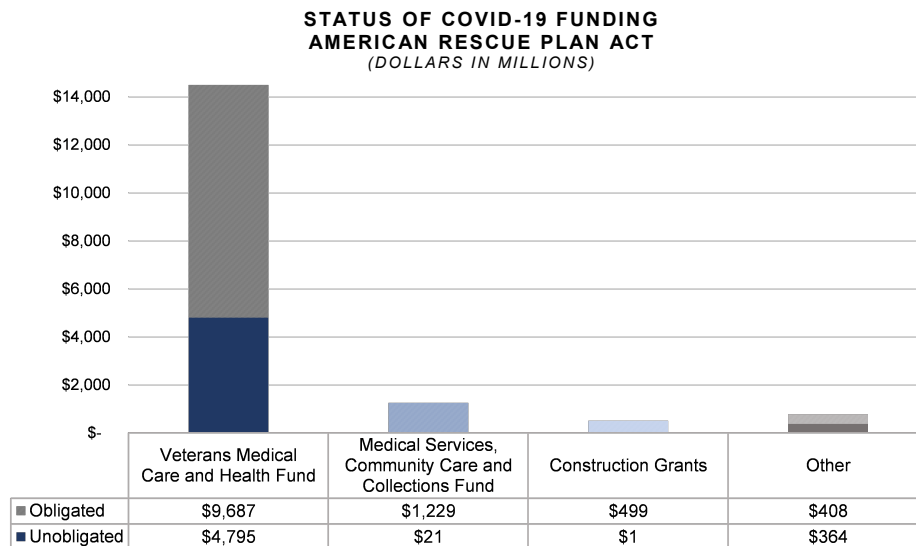


MANAGEMENT'S DISCUSSION AND ANALYSIS

ANALYSIS OF THE FINANCIAL STATEMENTS

As of September 30, 2022, 70% of the total ARP Act funding had been obligated. The ARP Act funds have various periods of availability, ranging through FY 2023 or until expended. As depicted in the graphic below, \$9.7 billion or 67% had been obligated from the Veterans Medical Care and Health Fund to cover impacts of delays in care and Veterans' greater reliance on VA health care. \$1.2 billion or 98% had been obligated for the Medical Services, Community Care and Collections Fund. Grants for Construction of Extended Care Facilities were nearly entirely obligated. \$5.2 billion remained unobligated for ARP Act funding. Much of the remaining funding will go towards the Veterans Medical Care and Health Funds.

Additional detail may be found in [Note 25](#) in the Financial Section.



For additional information about VA's response to the COVID-19 pandemic and ways in which the Department is using its supplemental emergency funding to protect and care for Veterans, their families, health care providers and staff, visit <https://www.publichealth.va.gov/n-coronavirus/>.

LIMITATIONS OF THE FINANCIAL STATEMENTS

The principal financial statements are prepared to report the financial position and results of operations of the entity, pursuant to the requirements of 31 U.S.C. § 3515 (b). These are prepared from the books and records of the entity in accordance with Generally Accepted Accounting Principles (GAAP) for Federal entities and the formats prescribed by OMB and are in addition to the financial reports used to monitor and control budgetary resources, which are prepared from the same books and records. The statements should be read with the realization that they are for a component of the U.S. Government.



DID YOU KNOW?

On March 14, 2022, President Joe Biden signed the [Six Triple Eight Congressional Gold Medal Act of 2021](#) into Public Law 117-97. The “Six Triple Eight” was the only all-black, all-female battalion to serve overseas during World War II, and they were responsible for clearing out an overwhelming backlog of mail, making sure certain American troops received letters from home to boost their morale.



The battalion reported for duty in Birmingham, England on February 12, 1945, only to discover a two-year backlog of mail stuffed to the ceilings in Quonset huts. Their commander, Maj. Charity Adams, established three 8-hour shifts, seven days-a-week designed to eliminate the backlog. U.S. Army leadership gave the “Six Triple Eight” six months to complete the mission. They did it in three months. According to Adams, the unit averaged 65,000 pieces of mail per shift. By the time their mission was complete in May 1945, the “Six Triple Eight” processed for delivery over 17 million pieces of mail... in 90 days.

The last of the women returned home by March 1946 to find their home country not much changed regarding racial relations, but they took the opportunity military service had afforded them to return to school, which opened doors to employment and professional careers.

Many of the women returned home eager to use their [Servicemen's Readjustment Act of 1944, or GI Bill](#) to advance their education. Several women found post-war employment in various Government agencies, including with the Department of Veterans Affairs: Charity Adams, from Ohio, worked as a Registration Officer from 1946-1947; Abbe Campbell became a nutritionist and spent her entire career at the Tuskegee VA Medical Center in Alabama; Anna Tarryk, from Connecticut, worked for VA in the Insurance Division from 1946-1983; Evelina Rachel Griffin, from Delaware, spent her entire career with VA, retiring as a chief inventory officer.

VA's Compensation Benefits Liability:

Understanding a Complex Balance

VA's largest accounting balance is the Veterans benefits liability at \$6.1 trillion, which is primarily comprised of disability compensation benefits at \$5.9 trillion. This unfunded liability represents VA's projected future costs to fund compensation payments over the next 100-years. Although the liability is unfunded, VA's obligation for compensation payments is probable because of existing laws and a well-established practice of caring for America's Veterans. It is also measurable through actuarial methods and sufficient historical data on Veterans. VA funds the current year costs of compensation through its annual appropriations. In FY 2022, VA's total appropriation and estimated benefits paid for compensation were \$139.2 billion and \$130.0 billion.

The compensation benefits liability is an actuarial estimate calculated as the present value of projected benefit payments to the following beneficiary types:

Current Benefit Recipients



Veterans and survivors currently receiving benefit payments.

Future Benefit Recipients



Current Veterans – those who are expected to begin receiving benefit payments in the future (and their survivors).



Future Veterans – an estimate of active duty service members who have gained eligibility as of the valuation date* and will become future beneficiaries (and their survivors).

*The valuation date represents VA's fiscal year end, which is September 30.

Technical Terms to Know

Liability* A probable future outflow or other sacrifice of resources as a result of past transactions or events. A liability must meet two conditions:

- Probable – more likely than not to occur; and
- Measurable – reasonably estimable.

Actuarial Relating to the practice of applying probability and statistics to develop estimates for matters that involve uncertainty. Actuarial estimates generally satisfy the liability condition related to measurability.

* Per FASAB SFFAS No. 5, *Accounting for Liabilities of the Federal Government*



DID YOU KNOW?

VA issued American Civil War era benefits payments as recently as 2020 when the last beneficiary passed away, 155 years after the end of the war. The beneficiary was the daughter of a soldier who fought first for the Confederacy and later for the Union during his service in the Civil War.

To fully understand the magnitude of the compensation liability balance, it is also important to understand the potential length of time for which VA makes compensation benefit payments attributed to each conflict. Derived from [VA's Annual Benefits Report](#), the table below presents the total number of Veterans and beneficiaries by conflict who received compensation benefits as of September 30, 2021. The FY 2022 Annual Benefits Report is expected to be available in June 2023.

Since compensation benefits begin for a Veteran and continue through their survivors, the benefit projection period is 100 years to capture all significant liabilities for each benefit recipient. In FY 2021, about 5.7 million Veterans and Veteran's survivors received disability compensation payments. Through actuarial methods, future beneficiaries are projected based on existing demographic data maintained by VA and other Federal entities such as the Department of Defense.

Compensation Benefit Recipients as of September 30, 2021

Conflict	Veterans	Surviving spouse, children or parents
Wars of the 1800s*	-	2
World War I 1917 - 1918	-	98
World War II 1941 - 1946	22,965	30,809
Korean Conflict 1950 - 1955	78,648	28,699
Vietnam Era 1961 - 1975	1,397,362	312,891
Gulf War Era 1990 - Present	2,912,176	43,802
Peacetime (Other)	814,269	44,290
Total	5,225,420	460,591

*Wars of the 1800s include the Spanish-American War and the Mexican Border Period.

COMPUTATION INPUTS

When computing the liability, VA actuaries make assumptions about the future. These assumptions and other inputs work together to provide a reasonable estimate of the future compensation payable. There are three primary classifications of actuarial assumptions: economic, demographic, and regulatory, as described below.



ECONOMIC ASSUMPTIONS include rate adjustments that are impacted by economic conditions. Rates are updated annually and derived from national averages.

- **Discount Rate** – The discount rate converts future years' benefit payments (nominal) to a current year basis as of the financial statement date. The discount rate has an inverse relationship to the actuarial liability. For example, the higher the discount rate, the lower the actuarial liability, all other things being equal.
- **COLA Rate** – The COLA is derived from the amount of money required to maintain a standard of living (e.g., housing, food, clothing, utilities, taxes, and health care). COLA is generally derived from changes in the previous year's consumer price index, which measures the overall price change in goods and services over time. COLA is factored into the actuarial liability so that payments for disability compensation keep pace with inflation.



DEMOGRAPHIC ASSUMPTIONS include population data and experience rates related to beneficiaries currently receiving or expected to receive compensation. The data is updated annually or as needed based on experience. Examples include:

- **Total Beneficiary Counts** – The number of Veterans and dependents receiving payments, including projected future enrollees.
- **Disability Ratings** – Ratings assigned based on the expected severity of a Veteran's service-connected disability. The higher the disability rating, the higher the compensation payment.
- **Mortality Rates** – Projections are generally based on life expectancies of beneficiaries collecting compensation payments.
- **Benefit Termination Rate** – The rate at which benefits are terminated for reasons other than mortality.



REGULATORY ASSUMPTION examples include administrative, judicial, or legislative changes that result in changes to compensation benefit eligibility and amount. Internal VA policies, court rulings and new laws all play a role in the compensation benefits liability estimate. For example, these changes may result in an expansion of the total number of presumptive conditions. A service-connected presumptive condition is a disability that VA presumes was caused by military service. If a presumptive condition is diagnosed in a Veteran, they can be awarded disability compensation benefits.

Regulatory Impact

In 2019, the Blue Water Vietnam Veterans Act granted disability compensation for presumptive diseases that resulted from exposure to Agent Orange to the nearly 90,000 Veterans who served offshore during the Vietnam War. As a result of the legislation, VA recognized an approximate \$43.3 billion increase to the compensation liability in FY 2020.

MANAGEMENT'S STATEMENT OF ASSURANCE



**THE SECRETARY OF VETERANS AFFAIRS
WASHINGTON**

November 15, 2022

Department of Veterans Affairs (VA or the Department) management is responsible for managing risks and maintaining effective internal controls to meet Federal Managers' Financial Integrity Act of 1982 (FMFIA) § 2 and § 4 objectives. VA conducted its assessment of risks and internal controls in accordance with Office of Management and Budget (OMB) Circular A-123, *Management's Responsibility for Enterprise Risk Management and Internal Control*. Based on the results of the assessment, VA can provide reasonable assurance that internal controls over operations, reporting and compliance were operating effectively as of September 30, 2022, except for the following reported material weaknesses:

- Controls over Significant Accounting Estimates;
- Financial Systems and Reporting; and
- Information Technology Security Controls.

The Department noted noncompliance with:

- FMFIA § 2 and § 4;
- Payment Integrity Information Act of 2019;
- 38 U.S.C. § 5315, *Interest and Administrative Cost Charges on Delinquent Payments of Certain Amounts Due the United States*, and 31 U.S.C. § 3717, *Interest and Penalty on Claims*;
- Federal Financial Management Improvement Act (FFMIA); and
- Anti-Deficiency Act (ADA).

FFMIA requires agencies to implement and maintain financial management systems that substantially comply with Federal financial management system requirements, Federal accounting standards and the United States Standard General Ledger (USSGL) at the transaction level. VA assessed its Financial Management System (FMS) to determine conformance with FFMIA. FMS substantially complies with Federal accounting standards. However, it does not comply with application of the USSGL at the transaction level. Therefore, management cannot provide reasonable assurance that VA is in conformance with FFMIA.

VA has internal controls in place to provide reasonable assurance of the quality of data used for Digital Accountability and Transparency Act reporting and is in the process of reviewing and strengthening the data quality assessment to increase trust and transparency in the data used.

VA is responsible for providing an annual certification that management has appropriate policies, controls and corrective actions to mitigate the risk of fraud and inappropriate use of charge cards, as required by OMB Memorandum M-13-21, *Implementation of the Government Charge Card Abuse Prevention Act of 2012*. The Department can provide reasonable assurance that controls over charge cards are in place and effective, with no material weaknesses.

Sincerely,

(/s/) Denis McDonough

SUMMARY OF MATERIAL WEAKNESSES

- (1) Controls over Significant Accounting Estimates:** VA's financial statement auditor identified internal control deficiencies in the control environment related to the Veterans benefits liability estimate. The Veterans Benefits Administration (VBA) Chief Financial Officer's office continues to implement a corrective action plan (CAP) to improve the Veterans benefits liability audit readiness, including adding controls to ensure the data used is complete and accurate and enhancing procedures and/or process narratives relevant to VBA's accounting and financial reporting of benefits. Estimated completion date: Fiscal Year (FY) 2023.
- (2) Financial Systems and Reporting:** VA's outdated legacy FMS continues to require manual processes, reconciliations and journal entries for VA to produce a set of auditable financial statements. VA continues to have various financial reporting issues, though certain areas have improved since the prior year. VA is implementing a multi-year migration plan for the new accounting system, the Integrated Financial and Acquisition Management System (iFAMS). Until iFAMS is fully deployed across all Administrations and Staff Offices, VA will continue to require stations to perform a quarterly Integrated Funds Distribution, Control Point Activity Accounting and Procurement to FMS reconciliation. Estimated completion date: FY 2028.
- (3) Information Technology Security Controls:** VA maintains a material weakness in its Agency-wide Access Management, Contingency Planning, Security Management, and Configuration Management Program, as identified by the Office of Inspector General (OIG) during its annual Federal Information Security Modernization Act audit. VA established both operational and procedural capabilities to evaluate, prioritize, plan and execute actions designed to mitigate or close the material weakness conditions noted in the OIG Notice of Findings and Recommendations. VA continues to pursue a prioritized set of actions designed to improve or mature the overall cybersecurity state of the environment to address the material weakness. Estimated completion date: FY 2028.

SUMMARY OF MATERIAL NONCOMPLIANCE

- (1) FMFIA § 2 and § 4:** VA evaluated FMS for compliance with FMFIA, in accordance with OMB Circular A-123, Appendix D. Based on the results, FMS does not substantially comply with Federal financial management system requirements and application of the USSGL at the transaction level. The Office of Management (OM) developed an internal controls assessment process to implement the requirements needed to assure full compliance with FMFIA and OMB Circular A-123, to include documentation of transactional-level testing to support the assurance statement. VA is implementing a new accounting system, iFAMS, to replace FMS to comply with FMFIA § 4. Testing of iFAMS will be executed as it is incrementally deployed. OM continues to make significant progress integrating internal control functions with Enterprise Risk Management in the Office of Enterprise Integration. Estimated completion date: FY 2028.

- (2) **Payment Integrity Information Act of 2019:** In FY 2022, VA reported its fourth consecutive reduction of \$1.62 billion in improper and unknown payments. Since FY 2018, VA has reduced improper and unknown payments by \$11.24 billion, or 76%. VA continues to enact specific corrective actions and mitigation strategies to remediate the root causes of improper and unknown payments and strategically strengthen payment integrity while ensuring Veteran access to health care and benefits. VA developed detailed CAPs for each program reporting improper and unknown payments to address the findings and deficiencies identified during annual payment integrity testing. Estimated completion date: FY 2025.
- (3) **38 U.S.C. § 5315, *Interest and Administrative Cost Charges on Delinquent Payments of Certain Amounts Due the United States*, and 31 U.S.C. § 3717, *Interest and Penalty on Claims*:** In 1992, the Acting Secretary of VA determined that VA would not charge interest and administrative fees on delinquent compensation and pension debts, as required by 38 U.S.C. § 5315. VA continues to handle debts in accordance with its long-established policy. The FY 2023 President's Budget included a legislative proposal to clarify Secretary of VA authority on interest and administrative costs charged on delinquent debts. The proposal is awaiting Congressional action. Estimated completion date: FY 2023.
- (4) **FFMIA:** VA assessed FMS to determine conformance with FFMIA and FMFIA § 4. FMS substantially complies with Federal accounting standards. However, it does not comply with application of the USSGL at the transaction level. Therefore, management cannot provide reasonable assurance that VA is in conformance with FFMIA. VA is undergoing a multi-year rollout of a new accounting system, iFAMS, to replace FMS. iFAMS is designed to be compliant with FFMIA. Estimated completion date: FY 2028.
- (5) **ADA:** In FY 2021, OMB confirmed five ADA violations pursuant to 31 U.S.C. §1341(a) (for reporting to Congress and the President, with a copy of the report provided to the Comptroller General). The violations are related to obligations made in the Minor Construction and/or Medical Facilities accounts on projects that should have been classified as Major Construction Projects. In FY 2022, VA sent formal ADA letters to Congress, OMB, the Government Accountability Office (GAO) and the President and considers these violations closed.

In FY 2022, VA identified two potential ADA violations where VA may have (1) improperly used current-year appropriations to fund within-scope modifications for which there was antecedent liability on prior-year Major and Minor Construction contracts and (2) inappropriately charged VHA medical facilities appropriations for costs that should have been paid for by Canteen funds. The reviews to determine if an ADA violation occurred are expected to be completed in FY 2023.

SUMMARY OF INTERNAL CONTROL ASSESSMENT

VA's Office of Business Oversight (OBO) oversees the internal control program and assists VA's major organizations (reporting entities) in completing an internal controls assessment to support their annual statements of assurance. OBO developed an Internal Controls Assessment Tool for evaluating each of the 17 principles in GAO's Standards for Internal Control in the Federal Government (Green Book). The 17 principles fall into the following 5 components of internal control: Control Environment, Risk Assessment, Control Activities, Information and Communication and Monitoring. In FY 2022, VA assessed the following three distinct but overlapping objectives of internal control: operations, compliance and reporting.

In FY 2022, the Department required all Administrations and major Staff Offices to complete an internal controls assessment, identifying how the reporting entity met the control objectives of each Green Book principle and concluding on the overall effectiveness of the principle, the control component and the system of internal controls. If deficiencies were identified, Administration or Staff Office management, in accordance with OMB Circular A-123, exercised judgment in determining the severity of the deficiency.

Each Administration and Staff Office signed a statement of assurance based on the results of its internal controls assessment. The statement of assurance provides an informed judgment of the overall adequacy and effectiveness of the reporting entity's internal controls. OBO analyzed internal controls assessment submissions and statements of assurance to ensure the statements appropriately captured material weaknesses identified during the assessments.

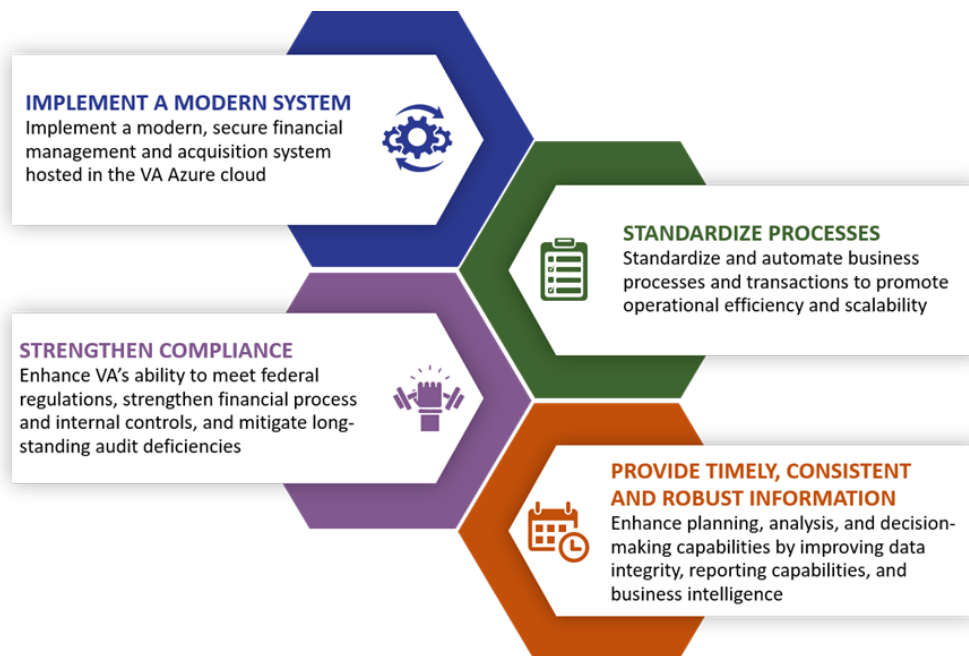
In FY 2022, OBO conducted OMB Circular A-123, Appendix A, Test of Design and limited Test of Effectiveness over specified business processes and key controls. OBO focused its efforts on developing business process narratives and testing at an enterprise level, documenting actual operations and identifying key financial controls or gaps in the design of controls.

FINANCIAL SYSTEMS FRAMEWORK

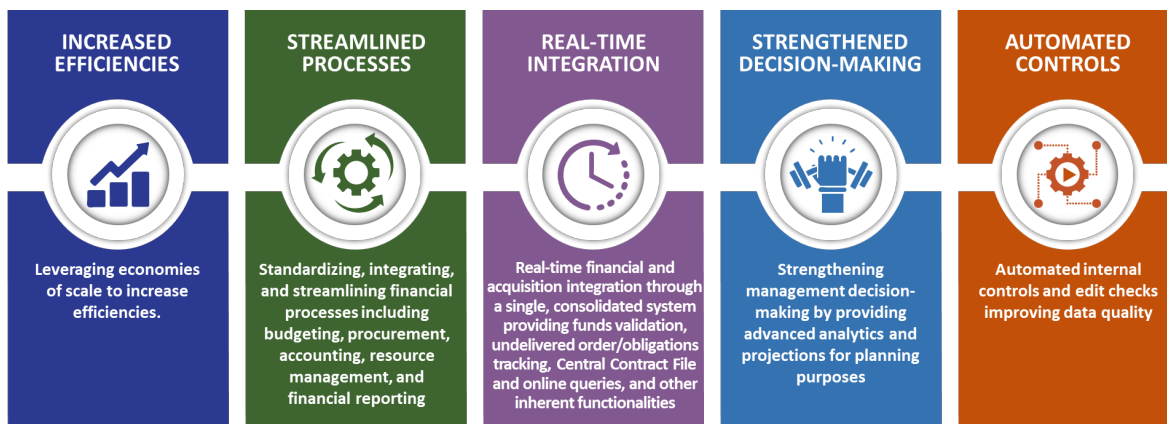
VA'S FINANCIAL AND ACQUISITION MANAGEMENT SYSTEMS STRATEGY AND GOALS

VA's Financial Management Business Transformation (FMBT) program is increasing the transparency, accuracy, timeliness and reliability of financial and acquisition information, resulting in improved fiscal accountability to American taxpayers and offering a significant opportunity to improve services to those who serve our Veterans.

The FMBT Program Goals are structured to enable VA to continue to meet its financial, acquisition and mission-related delivery requirements, alleviate the risks caused by the current system environment and provide value to VA's business and the employee experience. The FMBT Program Goals are as follows:



This financial and acquisition modernization initiative will provide a range of benefits to the VA enterprise, including:



MANAGEMENT'S DISCUSSION AND ANALYSIS

ANALYSIS OF SYSTEMS, CONTROLS AND LEGAL COMPLIANCE

CURRENT FINANCIAL MANAGEMENT SYSTEM FRAMEWORK

VA's existing financial and acquisition management systems consist of the core FMS and the core acquisition system, known as the Electronic Contract Management System (eCMS), along with several interfacing systems: Integrated Funds Distribution, Control Point Activity Accounting and Procurement (IFCAP); Veterans Information Systems and Technology Architecture (VistA); Management Information Exchange (MinX); and Centralized Automated Accounting Transaction System (CAATS).

The external financial statement auditors repeatedly identified a need for VA to fully integrate these applications and the detailed transactions they contain into a single, integrated core financial and acquisition management system.

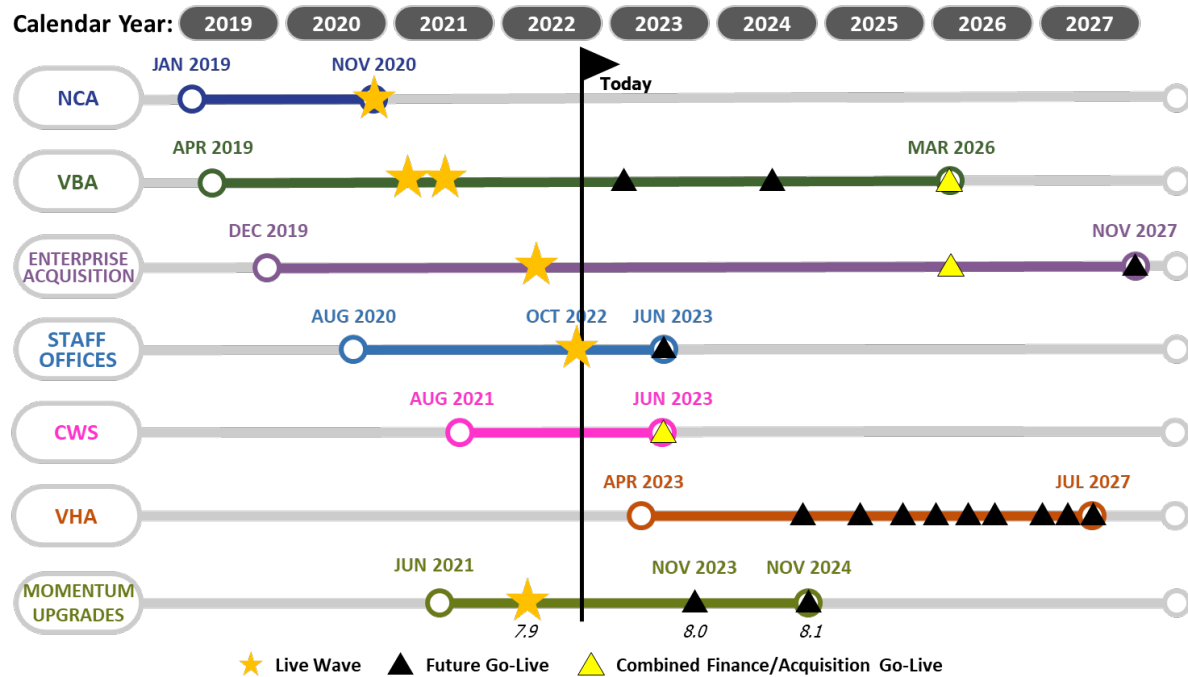
FUTURE FINANCIAL MANAGEMENT SYSTEMS FRAMEWORK

The scope of the FMBT program is focused on migrating VA from its legacy FMS and eCMS to a commercial off-the-shelf cloud solution, configured for VA as iFAMS and hosted in the VA Azure cloud. This involves:

- Migrating to a financial and acquisition management solution compliant with Federal regulations;
- Replacing the financial management functionality of IFCAP and CAATS and the procurement functionality of eCMS;
- Implementing a new business intelligence solution and data warehouse for financial reporting; and
- Interfacing iFAMS with designated VA systems.

iFAMS is being deployed in a phased implementation approach. Each completed system delivery, or go-live, represents the point of transition of one or more VA organizations from their legacy systems to iFAMS. Following go-live, the organization is considered live in iFAMS. As of October 2022, FMBT has delivered iFAMS to NCA, VBA General Operating Expenses (GOE) fund, and most recently, FMBT successfully went live with the Office of Management Plus (OM+) wave, which was comprised of VA's OM, the Board, revolving funds, General Administration accounts and several other Staff Offices. Looking ahead, the next two go-lives are the Consolidated Wave Stack (CWS) and the VBA Loan Guaranty. The CWS includes OALC, OIG, OIT and the Office of Construction & Facilities Management.

FMBT will continue deploying iFAMS in a phased approach across VA until enterprise-wide implementation is achieved. The FMBT high-level implementation timeline as of October 2022 is shown below.



FORWARD-LOOKING INFORMATION

RISKS

Like every organization, VA faces risks to its ability to function at its most effective and efficient levels. As VA develops its enterprise risk management processes and begins formally and systematically surveying its environment, it has developed a risk profile that identifies the most significant risks it faces. There are 22 portfolios of risks listed in the profile, but the following are the top three risks VA faces:

- **Managing Risks and Improving VA Health Care** – If VA does not utilize Change Management to holistically address the core issues highlighted in the GAO High-Risk List Update, GAO Priority Recommendations and PACT Act implementation for Military Environmental Exposure, then Veteran health will suffer and the Veteran experience will not be positive.
- **Disability Claims and Appeals Process Barriers** – If VA fails to improve processes that support claims, appeals and payments and PACT Act implementation for Military Environmental Exposures, then Veterans will be unable to fully access VA benefits and services, which could result in an increase in claims and appeals processing backlogs, delayed payments and a poor Veteran experience.
- **Information Technology (IT) Modernization/Legacy** – If VA fails to fund, develop and implement an IT Modernization Program that supports operational business processes, including cloud maximization and PACT Act implementation for Military Environmental Exposures, then VA will be unable to effectively deliver Veteran services and benefits in a fully integrated, seamless and customer-centric environment.

CLIMATE-RELATED FINANCIAL RISK

Extreme weather events and natural disasters driven by climate change have become more common, driving widespread changes to both natural and human systems. With a broad mission and geographical distribution of facilities, VA recognizes that agency services, operations, programs and assets have been and will continue to be impacted. VA's 2021 Climate Action Plan outlines our response to the projected impacts of climate change with the goal of ensuring sustained operations to support the uninterrupted delivery of benefits and services and VA's fourth mission. The Climate Action Plan draws on VA's ongoing efforts and establishes a pathway for expanding climate adaptation and resilience opportunities across all agency missions and roles.

VA's primary climate vulnerabilities are those of its built infrastructure and burdens placed on its health care delivery systems, and interruptions in the supply of energy and material.



Hurricane Ian, which made landfall in Florida on September 28, 2022, caused significant damage to the Lee County Health Care Center (pictured above) and the Naples and Port Charlotte VA clinics. The facilities were required to close while staff assessed impacts and worked to restore operations.

Specific vulnerabilities include:

1. **Threats to VA Facilities and Infrastructure:** Damage to buildings and built infrastructure from water, extreme temperatures, wind, hail, fire or sea level rise.
2. **Negative Public Health Impact:** Increased demand for emergency care and supplies during dangerous natural disasters.
3. **Adverse Financial Impacts:** Interruption of mission critical supply chains to include any network of systems such as transportation, communications, the supply of raw materials or other resources that might impact the agency's mission.
4. **Emergency Response and Continuity of Healthcare Operations:** Damage to or interruption of the critical resource delivery systems on which VA facilities rely, such as electrical, power line failure or water.
5. **Adverse Medical Impact to Veterans and Employees:** Human health impacts by altering exposures to heat waves, floods, droughts and other extreme events like food-, water- and vector-borne diseases, changes in the quality and safety of air, food, water and stresses to mental health.

VA has identified specific adaptation actions to decrease its vulnerability to the impacts of climate change. Actions include implementing changes to building design and resilience standards and updating sustainable building certification requirements. VA is also preparing for surges in demand for medical supplies and pharmaceuticals, which includes review of the All-Hazards Emergency Cache that provides short-term coverage for supplies during emergencies, to assess its readiness for climate change impacts. To track new and emerging infections, VA has expanded biosurveillance to proactively surveil for high consequence infections in Veterans receiving care from VA. Climate change risks are being incorporated into VA's Strategic Capital Investment Planning process, which determines the optimal path for prioritizing capital program appropriations among multiple VA goals. Lastly, VA is incorporating climate change into emergency response planning with the development of a capabilities-based framework that supports an enterprise-side strategy.



DID YOU KNOW?

In 2020, the VA Boston Healthcare System partnered with National Grid on a plan to transition its 70-car fleet to zero-emission vehicles (ZEVs). Consistent with National Grid's recommendations, VA worked with GSA to procure approximately 25 ZEVs for the Boston facilities as part of the FY 2022 lease renewal cycle.



A ZEV parked at a charging station at a VA Boston health care facility.

VA BY THE NUMBERS

The information below presents key statistics on Veteran population and VA programs as of September 30, 2022. Collection and analysis of this data helps VA to support planning, analysis and decision-making activities. For additional information, please visit [VA's National Center for Veterans Analysis and Statistics](#).

